

PropertyQuote

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Rent Protection for Landlords



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For most landlords, it's not a privilege to have rent coming in, it's an absolute necessity. Without regular payments at least a few days in advance of your mortgage payment it can be very difficult to cover the interest on your loans, let alone to start to repay any of the principal. For this reason, many landlords look towards a rent protection scheme for some security.

Rent protection can be achieved in a number of different ways, and each will suit a different type of landlord. Here's a comprehensive guide to the sorts of rent protection you may wish to consider.

Rent Protection or Guarantee Insurance

Rent protection insurance, sometimes called rent guarantee insurance, is often confused with landlord insurance, but is usually purchased in a separate policy. Landlord insurance protects your buildings, some basic legal costs and usually some contents, and differs from rent protection insurance, although some insurers may choose to offer you a discount if you buy both policies at once. Rent protection insurance will cover you in the event that your tenants fail to pay their rent on time.

Normally this is down to negligence on the part of the tenants, but it could also be owed to tenants failing to complete their references on time or delaying their move in date. Just a month's loss of rent could cost you severely however, especially if you're still paying off your buy-to-let mortgage.

Policy Limitations

Most rent guarantee insurance policies have a maximum pay-out amount per month. Usually this is somewhere in the region of £2,500 per month per property, and so unless you're renting luxury properties or perhaps property in the heart of London, you should be covered.

Equally, you should be aware that most policies will require you to conduct a minimum number of checks on your tenants before taking them on. Normally your insurer will require evidence of some kind of systematic reference check. See our guide to selecting tenants [here](#).

Void Periods Under Protection Insurance

In normal circumstances your rent guarantee or protection insurance won't be able to cover your rent if you haven't got any tenants in place. Do not assume that those one or two months between tenants will automatically be covered, as most insurers will offer you protection respective to one tenant.

You should also be aware that your cover is usually limited to the period of your insurance, and your insurance will be billed by calendar months rather than by your tenants. Make sure that you are covered for the full period of a tenancy; most insurers will be happy to negotiate additional months without you needing to sign up for a further fixed term if you have completed over 12 months already.

Agents' Guarantees

On top of the insurance route, it's possible to seek rent guarantees from agents too. Agents offering a typical tenant find and property management package will sometimes also offer a 'hassle-free' package which ensures you receive a rent payment each month. In the event that your agent is unable to find tenants, they will usually pay the rent themselves.

While these packages usually sound great, they do come with a caution. In many cases the fees are extremely expensive and your tenants can also suffer from being charged high administration fees. You'll usually relinquish a lot of control about which tenants your agent takes on, and rent payments in 'void' periods may only be a part of what you would otherwise charge. This can suit some landlords, but you need to know your intentions.

Doing the Sums

For most landlords, deciding which rent guarantee policy to take out is a simple matter of looking at the numbers. Over two to three years, agent-run schemes which will generally give you below-market rent can start to look less cost effective than the possibility of forgoing two or three months rent on a property.

When it comes to rent guarantee insurance, you should also consider your cash flow. If you happen to be sitting on significant reserves or properties which you are expecting to sell very soon, it might be that you have the cash to cover any out of the ordinary mortgage costs. You should also consider your mortgage itself: some lenders will allow borrowers to take a 'holiday' from their payments. See our guide to buy-to-let mortgages [here](#).

In the UK most landlords are still only covered for basic buildings and contents insurance, however it is essential for you to look into rent protection insurance if you are likely to be exposed to non-paying tenants over the next few years.